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agf management limited

Annual Report 1967

Mutual Funds managed by
agf management limited

- AMERICAN GROWTH FUND LIMITED
- GROWTH EQUITY FUND LIMITED
- CANADIAN TRUSTEED INCOME FUND
- EUROPEAN GROWTH FUND LIMITED

DIRECTORS:

W. A. MANFORD
C. W. GOLDRING
G. B. SUTHERLAND
A. W. HOWE
R. H. JONES
D. J. WILKINS

OFFICERS:

President
W. A. MANFORD

Executive Vice-President
C. W. GOLDRING

Senior Vice-President
G. B. SUTHERLAND

Vice-President
L. E. EMERSON

Vice-President
K. J. GRAY

Vice-President
A. W. HOWE

Secretary-Treasurer
W. R. McKEOWN

Assistant Secretary-Treasurer
B. S. MacGOWAN

Comptroller
E. M. McGOVERN

HEAD OFFICE:

50th Floor
Toronto Dominion Bank Tower
Toronto, Ontario

AUDITORS:

Price Waterhouse & Co.

REGISTRAR & TRANSFER AGENT:

Guaranty Trust Company of Canada

agf management limited

1967 was another year of real accomplishment for A.G.F. Management Limited. All three of the growth funds managed by us recorded spectacular increases in per share values, with American Growth Fund gaining 37% for the year, Growth Equity Fund 53% and European Growth Fund 32%. Each Fund thus more than doubled the 15% rise of the Dow Jones Industrial Average and more than tripled the 10% advance made by the Toronto Stock Exchange Industrial Index.

As a result of these excellent performances plus the sustained efforts of more than 140 investment dealers and stock brokers and our own 400-man sales force, who market our Funds from coast to coast, net assets under our administration rose from $155,075,819 as of December 31, 1966 to $258,718,116 on December 31, 1967—an increase of over $100,000,000.

Thus, in spite of increased cost of doing business, net profits of the Company increased to an all-time high of $794,724 or $1.31 per Class B and common share. Of this amount, $602,765 or 76% was set aside for dividends. Fifty-three cents per share was paid in cash and, after payment of the required 15% tax, another forty cents was paid in December, 1967 in redeemable preference shares which were immediately redeemed for cash.

We look forward to another fine year in 1968, for two special reasons: First, as mentioned above, we start off with substantially more assets under administration than at this time last year. Second, several months ago we were successful in securing a seat on the U.S. Pacific Coast Stock Exchange. This Exchange membership will mean better control of the American trading done for our Funds and will benefit the Funds' shareholders by permitting a reduction in total costs. At the same time it will enable us to transact brokerage business in American securities with investment dealers, stock brokers and financial institutions throughout Canada and the United States.

We therefore expect 1968 to be another year of progress for the Company although the full extent of such progress depends to some extent on the trend of the stock markets.

Submitted on behalf of the Board of Directors.

Toronto, Ontario
March 8, 1968

W. A. MANFORD
President

STATEMENT OF INCOME

	Year Ended November 30 1967	1966
Revenue (Note 1):		
Commissions	$3,402,745	$3,590,951
Management fees	1,029,678	689,650
Dividends from G.E.F. Management Limited	11,488	35,097
Administration fees and other revenue	309,577	162,026
	4,753,488	4,477,724
Expenses:		
Commissions	2,014,638	2,150,526
Selling, general and administrative	1,034,790	773,520
Legal and audit	61,086	59,327
Depreciation and amortization	21,250	11,476
	3,131,764	2,994,849
Net income before income taxes	1,621,724	1,482,875
Provision for income taxes (Note 2):		
Current	860,000	794,000
Deferred	(33,000)	(44,000)
	827,000	750,000
Net income for the year	$ 794,724	$ 732,875
EARNINGS PER SHARE	$1.31	$1.24

STATEMENT OF RETAINED EARNINGS

	Year Ended November 30 1967	1966
Retained earnings at beginning of year	$ 606,662	$ 293,094
Net income for the year	794,724	732,875
	1,401,386	1,025,969
Deduct:		
Dividends paid—53¢ per share (1966—50¢ per share)	320,636	296,544
Income taxes paid on creation of tax-paid undistributed income of $252,063 under Section 105(2) of the Income Tax Act (1966—$92,449) (Note 3)	44,482	16,314
Dividend of 593,089 Class A preference shares (40¢ par value) paid out of tax-paid undistributed income (1966—462,244 Class A preference shares (20¢ par value)) (Note 3)	237,235	92,449
Underwriter's commission on issue of Class B preference shares	—	14,000
Payment of security transfer tax of a prior year less applicable income taxes of $16,500	15,378	—
	617,731	419,307
Retained earnings at end of year	$ 783,655	$ 606,662

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BALANC

ASSETS

	November 30 1967	1966
CURRENT ASSETS:		
Cash and bank deposit receipts..	$1,984,875	$2,003,367
Receivable from clients and dealers for sales of mutual fund shares.	2,631,443	2,131,013
Receivable from mutual funds for redemptions of shares.........	251,528	104,164
Other accounts receivable (including $4,935 (1966—$2,783) due from G.E.F. Management Limited, subsidiary company)..........	187,337	277,790
Prepaid expenses and deposits...	83,280	90,171
	5,138,463	4,606,505
INVESTMENT IN G.E.F. MANAGEMENT LIMITED, subsidiary company, at cost (Note 1)....................	6,000	6,000
OFFICE FURNISHINGS AND EQUIPMENT AND LEASEHOLD IMPROVEMENTS, at cost less accumulated depreciation and amortization of $70,196 (1966—$48,567)......................	86,956	49,205
ADVANCED COMMISSIONS RECOVERABLE, less estimated recovery in 1968 of $60,000 ($85,000 in 1967) included in prepaid expenses (Note 2).......	101,844	150,417
	$5,333,263	$4,812,127

Approved on Behalf of the Board:

W. A. MANFORD, Director

A. W. HOWE, Director

AUDITOR

To the Shareholders of A.G.F. MANAGEMENT LIMITED:

We have examined the balance sheet of A.G.F. Management Limit
earnings and source and application of funds for the year then end
dures and such tests of accounting records and other supporting ev

Information with respect to a subsidiary company not consolidated

In our opinion these financial statements present fairly the financial
operations and the source and application of its funds for the year t
applied on a basis consistent with that of the preceding year.

Toronto, Ontario
February 9, 1968

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SHEET

LIABILITIES AND SHAREHOLDERS' EQUITY

	November 30 1967	November 30 1966
CURRENT LIABILITIES:		
Amounts payable to mutual funds for purchases of shares........	$3,300,919	$2,814,040
Amounts payable to G.E.F. Management Limited, subsidiary company, for purchases of mutual fund shares..................	78,700	11,018
Accounts payable and accrued liabilities....................	369,155	230,358
Income taxes payable...........	335,510	693,505
	4,084,284	3,748,921
DEFERRED INCOME TAXES (Note 2)......................	88,000	121,000
SHAREHOLDERS' EQUITY:		
Capital stock (Notes 3 and 6)— Authorized— 900,000 Class B non-voting participating preference shares without par value; 80,000 common shares without par value		
Issued and outstanding— 604,226 Class B shares (11,937 shares were issued for cash during the 1967 year)....................	377,284	335,504
800 common shares.........	40	40
	377,324	335,544
Retained earnings, per statement attached (Notes 3 and 6).......	783,655	606,662
	1,160,979	942,206
	$5,333,263	$4,812,127

REPORT

s at November 30, 1967 and the statements of income, retained
Our examination included a general review of the accounting proce-
nce as we considered necessary in the circumstances.

resented in Note 1 to the financial statements.

ition of the company as at November 30, 1967 and the results of its
ended, in accordance with generally accepted accounting principles

PRICE WATERHOUSE & CO.
Chartered Accountants.

agf management limited

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	Year Ended November 30 1967	1966
Funds provided:		
From operations—		
Net income for the year	$ 794,724	$ 732,875
Add depreciation and amortization expense not requiring a current outlay of funds	21,250	11,476
	815,974	744,351
Issue of Class B shares	41,780	292,673
Reduction in long term portion of advanced commissions recoverable	48,573	101,779
	906,327	1,138,803
Funds applied:		
Purchases of office furnishing and equipment	59,001	20,806
Taxes paid under Section 105(2) of the Income Tax Act (Canada)	44,482	16,314
Paid to underwriter on issue of Class B shares	—	14,000
Dividends—		
Cash	320,636	296,544
Class A shares subsequently redeemed for cash	237,235	92,449
Reduction in deferred income taxes	33,000	44,000
Assessment under the Security Transfer Tax Act applicable to a prior year and charged to earned surplus account	15,378	—
	709,732	484,113
Increase in working capital during the year	$ 196,595	$ 654,690

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 1967

1. SUBSIDIARY COMPANY NOT CONSOLIDATED

The company owns six-elevenths of the outstanding shares of G.E.F. Management Limited, the accounts of which are not included in the accompanying financial statements because the minority interest is closely held and substantially all the net income of the subsidiary has been distributed by way of dividends.

For the year ended November 30, 1967, the company's portion of the net income of G.E.F. Management Limited amounted to $11,503 compared with $11,488 recorded as dividend income in the accompanying statement of income. The company's portion of the net income of G.E.F. Management Limited for the period since it commenced operations in April, 1965 to November 30, 1967 amounted to $90,330, of which $89,185 has been taken up as dividend income.

In addition to dividend revenue, during the year ended November 30, 1967 the company received from the subsidiary, for sales and management services, fee revenues of $6,588 (1966—$17,620) and $49,807 (1966—$40,738) respectively. Such amounts are included under the captions "Commissions" and "Management Fees" in the accompanying statement of income for the year ended November 30, 1967.

2. ADVANCED COMMISSIONS RECOVERABLE AND DEFERRED INCOME TAXES

Advanced commissions recoverable ($161,844) represent the balance of amounts paid to salesmen under the Monthly Savings Plan in effect prior to July 1, 1964, which are fully recoverable out of future payments by the respective planholders or out of termination fees in the event of default. The company developed a new plan in June, 1964 and under this plan advanced commissions recoverable do not arise.

As a consequence of claiming advanced commissions recoverable in the accounts as an expense for tax purposes in 1964 and 1965, taxes otherwise payable to November 30, 1965 totalling approximately $165,000 were deferred. For the year ended November 30, 1967 a portion of such advanced commissions was recovered and taken into income for tax purposes resulting in a current liability for taxes of $33,000 which had been deferred in prior years. This amount has been charged against "Deferred Income Taxes" in the accompanying financial statements.

3. STOCK DIVIDEND

On December 8, 1966 the company elected to create $252,063 of tax-paid undistributed income by paying tax on $296,545 of retained earnings as permitted under the Income Tax Act (Canada). Out of the tax-paid undistributed income thus created there was declared on December 8, 1966 a stock dividend of 593,089 3% non-cumulative redeemable non-voting Class A preference shares on the outstanding Class B and common shares recorded on that date, such shares being allotted at the rate of one such Class A share for each Class B and common share held.

On December 12, 1966 the company redeemed at their par value all of the Class A shares outstanding at that date.

4. LONG TERM LEASES

The company, jointly with an affiliated company, has leased new premises at an annual rental of approximately $184,000 for a period which commenced January 20, 1968 and terminates January 31, 1988. Other long term leases for varying periods of over two years require annual rental payments of approximately $11,800.

5. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The directors and senior officers received direct remuneration totalling $139,004 in the year ended November 30, 1967; none of these directors and officers received any remuneration from the subsidiary, G.E.F. Management Limited. No directors' fees are paid as such.

6. EVENTS SUBSEQUENT TO NOVEMBER 30, 1967

By supplementary letters patent dated December 27, 1967 the authorized capital was increased by the creation of an additional 605,026 Class A preference shares with a par value of 40 cents each.

On December 19, 1967 the company elected to create $227,183 of tax-paid undistributed income by paying tax on $267,274 of retained earnings as permitted under the Income Tax Act (Canada).

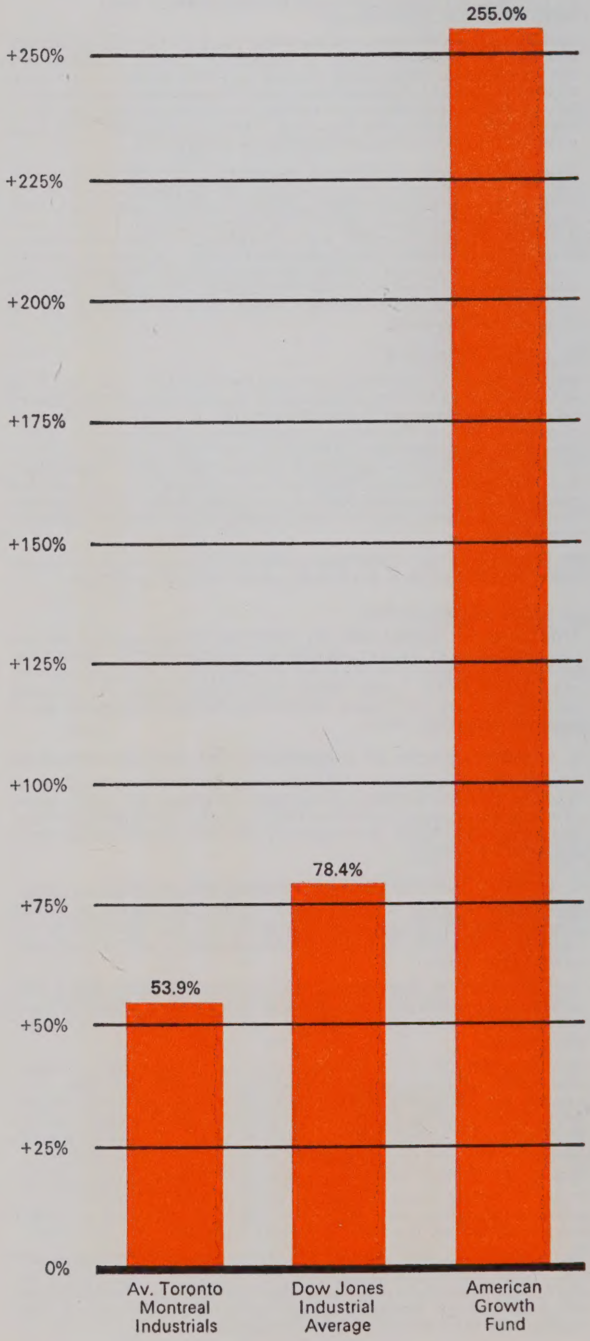
On December 27, 1967 there was declared out of tax-paid undistributed income a stock dividend of 605,026 3% non-cumulative redeemable non-voting Class A preference shares on the outstanding Class B and common shares recorded on that date, such shares being allotted at the rate of one such Class A share for each Class B and common share held.

On December 29, 1967 the company redeemed at their par value all of the Class A shares outstanding at that date. As a result, the authorized and issued capital of the company were each reduced by the 605,026 Class A shares so redeemed.

In December, 1967, a subsidiary company, AGF Management Inc., was incorporated under the laws of the State of New York. The subsidiary has purchased a seat on the Pacific Coast Stock Exchange in the State of California, U.S.A., and has applied for membership in the Exchange.

PERFORMANCE RECORD OF OUR MAJOR FUND AMERICAN GROWTH FUND LIMITED

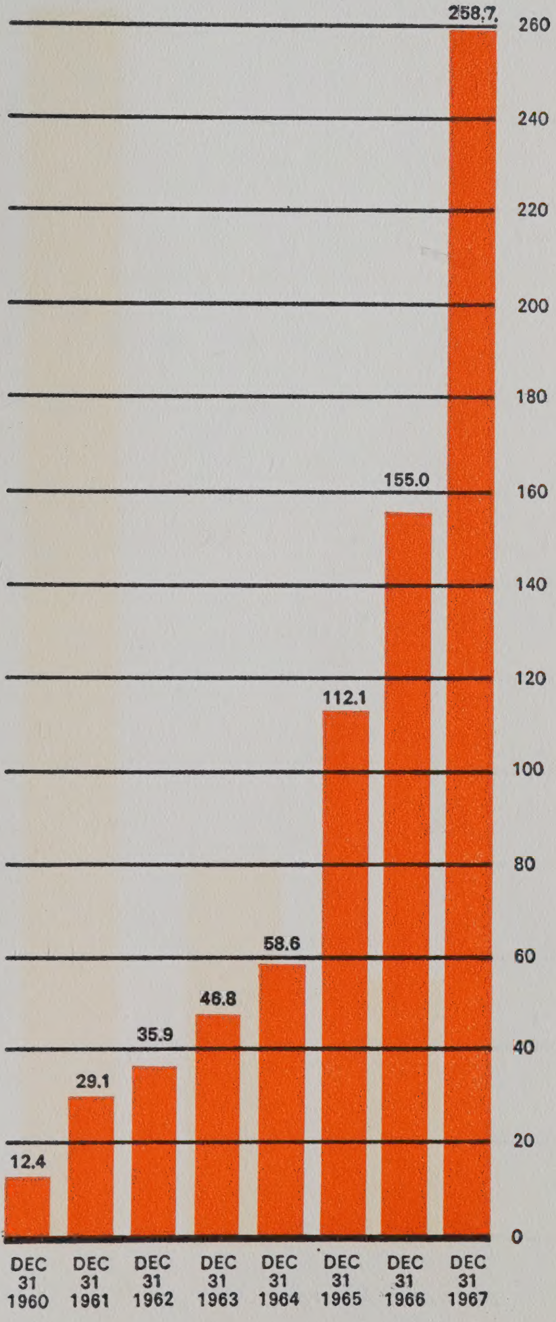
From Inception June 30, 1957 to December 31, 1967



GROWTH IN TOTAL ASSETS UNDER MANAGEMENT

To December 31, 1967

IN MILLIONS OF DOLLARS



THE PLAY OF FORCES

There are times when many or perhaps most people tend to see only that which is current in a newspaper headline or a special news announcement on television. As a result, their emotional condition runs the gamut from fear and uncertainty through to confidence and well being. This can be especially true in modern times when, in a rapidly changing world, we are subject to this emotional roller coaster from developments in politics, business and international relations.

To counteract this sometimes worrisome experience, a proper perspective can be achieved at all times by viewing current conditions through what might be termed "a wide angled lens". This allows us a panoramic type picture of events both past and present, as well as those probable in the future. What we then witness in the picture is a "Play of Forces" which are vieing with each other for dominance.

On the one side of the picture we observe those factors such as war or its possibility, rapid inflation and money problems which tend to mitigate against profitable economic expansion. The other side of the picture reveals those powerful factors which are present and working to propel both business and society to a higher plateau of prosperous accomplishment. These are both stronger and more numerous than the forces trying to contain them. They include such growth forces as Rising Personal Incomes, Increasing Population, Research and Technology creating new products and processes and the "Great Society" role of Modern Governments with their pledge of employment and prosperity.

When viewed historically in this frame of reference, all of us know that the Positive Forces for good have had the strength to prevail over the crises and Negative Forces which have existed during various intervals since the earliest days of trade and commerce.

The Management of your Company believes that through the adaptability and ingenuity of man himself, the increasing rapidity of technological development and change, together with our own ability to recognize and take advantage of new investment opportunities as they appear, the outlook for continued and profitable Company growth is indeed bright.

And we believe this positive statement is well justified by our record of the past.